

Date Mailed April 2, 2001

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation of the Accounting Treatment for Account 271,
Contributions in Aid of Construction and Modification of the
Uniform Systems of Accounts for Municipal Electric, Gas,
Water and Sewer Utilities

05-US-105

FINAL DECISION

This is the final decision to modify the Uniform Systems of Accounts (USOA) for Municipal Electric, Gas, Water and Sewer Utilities to revise the accounting and ratemaking for Account 271, Contributions in Aid of Construction (CIAC). The Commission decided the future method of accounting and ratemaking for municipal Account 271, CIAC, shall be the Alternate Commission Method as described below and as shown in Appendices B and C.

Introduction

The Commission on its own motion opened this docket to determine if the present accounting and ratemaking for municipal Account 271 (the "Account"), Contributions in Aid of Construction ("CIAC"), was adequate or whether modifications would improve on the present accounting and ratemaking treatment. A public hearing was held on November 15, 1999, and testimony was received from the participants in this docket. Several proposals to modify the present accounting and ratemaking treatment were presented prior to the hearing. On May 2, 2000, the Commission reviewed the proposals and determined that the docket be laid over for further review. Staff developed from the docket record an alternative accounting and ratemaking method based in principle on regulatory theory and practice, which addresses the concerns

expressed in the testimony with the present Commission method. Commission staff developed and put forward the method identified in this docket as the "Alternate Commission Method." At its meeting of January 16, 2001, the Commission, after consideration of the proposed methods, decided the Alternate Commission Method best meets the docketed objectives.

Findings of Fact

1. CIAC is property, plant and/or equipment donated to the utility or financed by customers, developers or various forms of government entities for utility use in providing utility services. Currently, two different accounting and ratemaking methods are authorized and used by private investor-owned utilities and municipal utilities in Wisconsin.

2. For investor-owned utilities (except small private water utilities), contributed plant is not recorded in the regulatory balance sheet or income statement. The contributed plant is not depreciated nor are any carrying costs included in customer rates.

3. For municipal electric, gas, water, and sewer utilities (municipal utilities) and small private water utilities, the balance sheet has included contributed plant in the utility plant accounts with a corresponding amount in the Account. When determining customer rates, depreciation expense on contributed plant has been included in the revenue requirement. When calculating the return on net investment rate base, both the accumulated depreciation on contributed plant and the entire Account balances have been deducted from rate base. In this manner, customers have not paid a return on the contributed plant and, in addition, they have benefited from a rate base deduction of the accumulated depreciation on the contributed plant. CIAC has remained on the utility's balance sheet as a permanent capital contribution to the utility, always reducing rate base when determining customer rates. The accumulated

depreciation is eliminated when contributed plant is retired; however, there is no reduction in the Account, even after the contributed plant has been retired.

4. For investor-owned utilities (except small private water utilities), all costs of contributed plant have been removed from the financial statements. None of these costs are included in customer rates.

5. For municipal and small private water utilities, depreciation expense from contributed plant included in customer rates has provided a source of cash flow for utilities. The contributed plant is offset in the net investment rate base by the Account balance. No rate of return is calculated on contributed plant.

6. Over time, municipal utilities have expressed concerns about the accounting for and ratemaking treatment of CIAC.

Conclusions of Law

1. The Commission has authority under Wis. Stat. §§ 196.02(1), 196.06(1), and 196.06(3) to modify the USOA for municipal utilities.

2. The Commission has authority under Wis. Stat. § 196.03 to require ratemaking methodologies that provide reasonable and just rates for utility services rendered.

3. The Commission finds that the ratemaking method adopted in this order is reasonable and just.

4. The Commission has authority under Wis. Stat. § 196.12 to require municipal utilities to furnish reports and account details for contributed plant, presently accounted for in the Account.

Opinion

The issue before the Commission in this investigation is whether to amend the present municipal USOA and ratemaking method for the Account. The present Commission ratemaking method for the Account was viewed by the Commission as requiring customers to pay for the contributed plant twice, once when contributing the plant and again when depreciation expense on contributed plant is included in customer rates. The Commission also views the present Commission ratemaking method for the Account as creating a permanent reduction of rate base since it is a reduction in the calculation of rate base. The double recovery and permanent reduction of rate base are significant deficiencies in the current method.

The Commission, through its Notice of Investigation issued September 11, 1998, and its prehearing conference on June 29, 1999, requested comments and testimony to address concerns about the present Commission method for accounting and ratemaking for contributed plant. A hearing was held on this matter on November 15, 1999. The Commission found none of the proposed methods completely satisfied the docketed objectives and directed staff to develop another method to more closely satisfy these objectives.

Commission staff developed the Alternate Commission Method and mailed it on August 2, 2000, to the participants in this docket for comment. After review of the comments, the Commission determined that the Alternate Commission Method meets the docket objectives better than the present Commission method, or any of the other proposals in the record. The Commission prefers the Alternate Commission Method because: 1) customers do not pay twice for contributed plant; 2) it provides the administrative simplicity in the below-the-line treatment for the Account; 3) it does not require long-term amortization entries; 4) it does not understate

rate base; 5) it complies in substance with the Governmental Accounting Standards Board Statement No. 34; and 6) the amounts used in the tax equivalent computation for municipal utilities in Wis. Adm. Code PSC ch. 109 are not affected. The Alternate Commission Method provides the best balance of customer and utility interests and is the only method that meets all the objectives identified in this docket. Choosing this method brings Wisconsin into uniformity with how other states handle CIAC, and is consistent with how the Commission treats CIAC for investor-owned utilities.

Order

1. The Commission adopts the modifications, included in this order as Appendix B, as part of the USOA prescribed by the Commission for Municipally Owned Water Utilities, Municipally Owned Electric Utilities, Municipally Owned Gas Utilities, and Municipally Owned Sewer Utilities that are regulated by the Commission.
2. The Commission adopts the Alternate Commission Method of ratemaking for the Account where contributed plant is accounted for as non-operating revenues and non-operating expenses as shown in Appendix C.
3. The USOA and ratemaking modifications shall become effective on January 1, 2003, for municipal utilities.

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4. Rate cases using a 2003 or later test year shall reflect the USOA and ratemaking modifications.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

Appearances:

Of the Commission Staff:

Steven A. Levine, Assistant General Counsel
Office of General Council

David A. Sheard, Assistant Administrator
Clarence E. Mouglin, Compliance Program Manager
Douglas B. Sorge, Auditor
Division of Water, Compliance, and Consumer Affairs

Candice C. Spanjar, Public Utility Auditor
James K. Wagner, Auditor
Electric Division

Dennis M. Tuohy, Auditor
Natural Gas Division

As Interest May Appear:

American Water Works Association and
Wisconsin Rural Water Association
both by

Thomas A. Lockyear
131 West Wilson Street, Suite 501
Madison, WI 53703
and by

Ken M. Blomberg
350 Water Way
Plover, WI 54467
and by

James S. Kelly
523 East Main Street
Madison, WI 53703
and by

Paul Reilly
1218 Alexandria Lane
Madison, WI 53718
and by

Richard A. Stehmeier
841 North Broadway
Milwaukee, WI 53202

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and by

Steven Yttri

170 West Drexel Avenue

Oak Creek, WI 53154

Municipal Electric Utilities of Wisconsin

by

David J. Benforado

1240 Emerald Terrace

Sun Prairie, WI 53590

WPPI

by

Mike Stuart

Beth Erdmann-Krause

1425 Corporate Center

Sun Prairie, WI 53590

and by

Gary C. Price

5773 Parkview Road

Sun Prairie, WI 53590

The following accounts in the Uniform System of Accounts for Class AB Municipally Owned Water Utilities are Amended and Modified by this order:

Account 101, Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 101, Utility Plant in Service

Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 6.)

Subaccount 101.2, Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 111, Accumulated Provision for Depreciation of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 111, Accumulated Provision for Depreciation of Utility Plant in Service

Subaccount 111.1, Accumulated Provision for Depreciation of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
 - (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for current depreciation expense.

- (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 5.)
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality. For purposes of analysis, however, each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.
- D. When transfers of plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, are made from one utility plant account to another, or from or to Account 121, Nonutility Property, the accounting shall be as provided in utility plant instruction 12.
- E. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 111.2, Accumulated Provision for Depreciation of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
 - (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.2, Utility Plant, Contributed Plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

Account 117, Utility Plant Acquisition Adjustments

Section A. The wording “and contributions in aid of construction with respect to such property” is deleted.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

- A. This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 415, Revenues from Merchandising, Jobbing and Contract Work

Items under Account 415:

Item #2 is deleted in its entirety and is recreated to read:

2. Charges for tapping mains and installing services.

Account 421, Miscellaneous Nonoperating Income

This account is modified by the creation of Item # 3.

3. Contributed Plant. (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes.)

Account 426, Other Income Deductions

This account is modified by the creation of Item # 4.

4. Depreciation Expense on property, plant and equipment recorded in Subaccount 101.2, Utility Plant, Contributed Plant.

Account 475, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions

2. Utility Plant to be Recorded at Cost

Section D. This section is deleted and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 101.2, Utility Plant, Contributed Plant, at cost of construction, estimated if not known.

5. Utility Plant Purchased or Sold

Section B. 4. This section is deleted in its entirety.

5. Utility Plant Purchased or Sold

Section F. The wording “and account 271, Contributions in Aid of Construction” is deleted.

The following accounts in the Uniform System of Accounts for Class C Municipally Owned Water Utilities are Amended and Modified by this order:

Account 101, Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 101, Utility Plant in Service

Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 5.)

Subaccount 101.2, Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 108, Utility Plant Acquisition Adjustments

Section A. The wording “and contributions in aid of construction with respect to such property” is deleted.

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

Subaccount 110.1, Accumulated Provision for Depreciation and Amortization of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
- (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 404, Amortization of Limited-Term Utility Plant, to Account 405, Amortization of Other Utility Plant, to Account 413, Expenses of Utility Plant Leased to Others, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for currently accruing depreciation and amortization expense.
 - (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 4.)
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. Each utility shall maintain subsidiary records for this subaccount for each utility department. The amount for the water utility shall be subdivided to show the amount for Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, for Subaccount 101.2, Utility Plant, Contributed Plant, Account 104, Utility Plant Leased to Others, and Account 105, Property Held for Future Use. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account (a) the amount of accrual for depreciation or amortization, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.
- D. When transfers of plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality are made from one utility plant account to another, or from or to Account 121, Nonutility Property, the accounting shall be as provided in utility plant instruction 10.
- E. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 110.2, Accumulated Provision for Depreciation and Amortization of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
 - (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.2, Utility Plant, Contributed Plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 415, Revenues from Merchandising, Jobbing and Contract Work

Items under Account 415:

Item #2 is deleted in its entirety and recreated to read:

2. Charges for tapping mains and installing services.

Account 421, Miscellaneous Nonoperating Income

This account is modified by the creation of Item # 3.

3. Contributed Plant. (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes.)

Account 426, Other Income Deductions

This account is modified by the creation of Item # 4.

4. Depreciation Expense on property, plant and equipment recorded in Subaccount 101.2, Utility Plant, Contributed Plant.

Account 475, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions

1. Utility Plant to be Recorded at Cost

Section D. This section is deleted and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 101.2, Utility Plant, Contributed Plant at the cost of construction, estimated if not known.

4. Utility Plant Purchased or Sold

Section B. 4. This section is deleted in its entirety.

4. Utility Plant Purchased or Sold

Section F. The wording “and account 271, Contributions in Aid of Construction” is deleted.

The following accounts in the Uniform System of Accounts for Class D Municipally Owned Water Utilities are Amended and Modified by this order:

Account 100, Utility Plant

This account is deleted in its entirety and is recreated as follows:

Account 100, Utility Plant in Service

Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 100.2 Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property.

Subaccount 100.2 Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

Subaccount 110.1, Accumulated Provision for Depreciation and Amortization of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
- (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 404, Amortization Expense, to Account 413, Expenses of Utility Plant Leased to Others, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for currently accruing depreciation and amortization expense.
 - (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems.
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. The utility records shall reflect the current credits and debits to show (a) the amount of accrual for depreciation or amortization, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance for this Subaccount.
- D. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 110.2, Accumulated Provision for Depreciation and Amortization of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
- (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 100.2 Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 100.2 Utility Plant, Contributed Plant, this account shall be charged with the book cost of the

property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 100.2 Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to

clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 421, Miscellaneous Nonoperating Income

The account description is deleted in its entirety and recreated to read:

This account shall include all revenue and expense items properly includible in this account, for items not provided for elsewhere and for contributed plant (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes).

Account 426, Other Income Deductions

This account is modified by the creation of Item # 4.

4. Depreciation Expense on property, plant and equipment recorded in Subaccount 100.2 Utility Plant, Contributed Plant.

Account 475, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions

1. Utility Plant to be Recorded at Cost

Section D. This section is deleted in its entirety and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 100.2 Utility Plant, Contributed Plant at the cost of construction, estimated if not known.

The following accounts in the Uniform System of Accounts for Class AB Municipally Owned Electric Utilities are Amended and Modified by this order:

Account 101, Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 101, Utility Plant in Service

Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 6.)

Subaccount 101.2, Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 111, Accumulated Provision for Depreciation of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 111, Accumulated Provision for Depreciation of Utility Plant in Service

Subaccount 111.1, Accumulated Provision for Depreciation of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
 - (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for current depreciation expense.

- (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 5.)
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
 - C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality. For purposes of analysis, however, each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.
 - D. When transfers of plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, are made from one utility plant account to another, or from or to Account 121, Nonutility Property, the accounting shall be as provided in utility plant instruction 12.
 - E. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 111.2, Accumulated Provision for Depreciation of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
 - (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.2, Utility Plant, Contributed Plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

Account 117, Utility Plant Acquisition Adjustments

Item A. The wording “and contributions in aid of construction with respect to such property” is deleted.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 421, Miscellaneous Nonoperating Income

This account is modified by the creation of Item # 3.

3. Contributed Plant. (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes).

Account 426, Other Income Deductions

This account is modified by the creation of Item # 3.

3. Depreciation Expense on property, plant and equipment recorded in Subaccount 101.2, Utility Plant, Contributed Plant.

Account 457, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions**2. Utility Plant to be Recorded at Cost**

Section D. This section is deleted and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 101.2, Utility Plant, Contributed Plant, at cost of construction, estimated if not known.

5. Utility Plant Purchased or Sold

Section B. 4. This section is deleted in its entirety.

5. Utility Plant Purchased or Sold

Section F. The wording "and account 271, Contributions in Aid of Construction" is deleted.

The following accounts in the Uniform System of Accounts for Class C Municipally Owned Electric Utilities are Amended and Modified by this order:

Account 101, Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 101, Utility Plant in Service

Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 5.)

Subaccount 101.2, Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 108, Utility Plant Acquisition Adjustments

Section A. The wording “and contributions in aid of construction with respect to such property” is deleted.

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

Subaccount 110.1, Accumulated Provision for Depreciation and Amortization of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
- (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 404, Amortization of Limited-Term Utility Plant, to Account 405, Amortization of Other Utility Plant, to Account 413, Expenses of Utility Plant Leased to Others, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for currently accruing depreciation and amortization expense.
 - (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 4.)
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. Each utility shall maintain subsidiary records for this subaccount for each utility department. The amount for the water utility shall be subdivided to show the amount for Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, for Subaccount 101.2, Utility Plant, Contributed Plant, Account 104, Utility Plant Leased to Others, and Account 105, Property Held for Future Use. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account (a) the amount of accrual for depreciation or amortization, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.
- D. When transfers of plant recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, are made from one utility plant account to another, or from or to Account 121, Nonutility Property, the accounting shall be as provided in utility plant instruction 10.
- E. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 110.2, Accumulated Provision for Depreciation and Amortization of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
 - (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 101.2, Utility Plant, Contributed Plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 101.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 421, Miscellaneous Nonoperating Income

This account is modified by the creation of Item # 4.

4. Contributed Plant. (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes).

Account 426, Other Income Deductions

This account is modified by the creation of Item # 4.

4. Depreciation Expense on property, plant and equipment recorded in Subaccount 101.2, Utility Plant, Contributed Plant.

Account 457, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions

1. Utility Plant to be Recorded at Cost

Section D. This section is deleted and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 101.2, Utility Plant, Contributed Plant, at the cost of construction, estimated if not known.

4. Utility Plant Purchased or Sold

Section B. 4. This section is deleted in its entirety

4. Utility Plant Purchased or Sold

Section F. The wording “and account 271, Contributions in Aid of Construction” is deleted.

The following accounts in the Uniform System of Accounts for Class D Municipally Owned Electric Utilities are Amended and Modified by this order:

Account 100, Utility Plant

This account is deleted in its entirety and is recreated as follows:

Account 100, Utility Plant in Service

Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality

- A. This subaccount shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including such plant owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department. This subaccount shall not include contributed plant includible in Subaccount 100.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property.

Subaccount 100.2, Utility Plant, Contributed Plant

- A. This subaccount shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, including donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

This account is deleted in its entirety and is recreated as follows:

Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant in Service

Subaccount 110.1, Accumulated Provision for Depreciation and Amortization of Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall be credited with the following:
- (1) Amounts charged to Account 403, Depreciation Expense for plant and equipment recorded in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, to Account 404, Amortization Expense, to Account 413, Expenses of Utility Plant Leased to Others, to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for currently accruing depreciation and amortization expense.
 - (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems.
 - (3) Amounts charged to Account 182, Extraordinary Property Losses, when authorized by the Commission.
- B. At the time of retirement of depreciable utility plant in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
- C. The utility records shall reflect the current credits and debits to show (a) the amount of accrual for depreciation or amortization, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance for this Subaccount.
- D. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Commission.

Subaccount 110.2, Accumulated Provision for Depreciation and Amortization of Utility Plant, Contributed Plant

- A. This account shall be credited with the following:
- (1) Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Subaccount 100.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Subaccount 100.2, Utility Plant, Contributed Plant, this account shall be charged with the book cost of the

property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Subaccount 100.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this subaccount segregated according to the individual plant accounts described herein.

216, Unappropriated Earned Surplus

This account is deleted in its entirety and is recreated as follows:

216.1, Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2, Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Account 252, Customer Advances for Construction

The account description is deleted in its entirety and is recreated as follows:

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 421, Miscellaneous Nonoperating Income.

Account 271, Contributions in Aid of Construction

This account is deleted in its entirety.

Account 403, Depreciation Expense

Section A. This section is deleted in its entirety and recreated as follows:

This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Subaccount 100.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense as is chargeable to

clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Account 421, Miscellaneous Nonoperating Income

The account description is deleted in its entirety and recreated to read:

This account shall include all revenue and expense items properly includible in this account, for items not provided for elsewhere and for contributed plant (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes).

Account 426, Other Income Deductions

This account is modified by the creation of Item # 4.

4. Depreciation Expense on property, plant and equipment recorded in Subaccount 100.2, Utility Plant, Contributed Plant.

Account 457, Amortization of Construction Grants

This account is deleted in its entirety.

Utility Plant Instructions

1. Utility Plant to be Recorded at Cost

Section D. This section is deleted in its entirety and recreated as follows:

- D. Utility plant contributed to the utility or constructed from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 100.2, Utility Plant, Contributed Plant, at the cost of construction, estimated if not known.

All accounts in the Uniform System of Accounts for Municipally Owned Gas and Combined Sewer Utilities are Amended and Modified by this order to eliminate all references and accounting for Contributions in Aid of Construction and related accounts.

Required Accounting Entries

1. The accounting entry for future plant contributed to a municipal Water, Electric, or Gas utility or to a combined municipal sewer utility operation is as follows:

	<u>Debit</u>	<u>Credit</u>
Subaccount 101.2, Utility Plant, Contributed Plant	xxxx	
Account 421, Miscellaneous Nonoperating Income		xxxx
(The Subaccount is 100.2 for municipal Class D Water and Electric utilities)		

2. The annual accounting entry for future depreciation expense for contributed plant to a municipal Water, Electric, or Gas utility or to a combined municipal sewer utility operation is as follows:

	<u>Debit</u>	<u>Credit</u>
Account 426, Other Income Deductions	xxxx	
Subaccount 111.2, Accumulated Provision- for Depreciation of Utility Plant, Contributed Plant		xxxx
(The Subaccount is 110.2 for municipal Class C/D Water and Electric utilities)		

3. The accounting entry for the elimination and transfer of the historical Account 271, Contributions in Aid of Construction is as follows:

	<u>Debit</u>	<u>Credit</u>
Account 271, Contributions in Aid of Construction	xxxx	
Subaccount 111.2, Accumulated Provision- for Depreciation of Utility Plant, Contributed Plant		xxxx
Account 216.2, Unappropriated Earned Surplus, Contributed Plant		xxxx
(The Subaccount is 110.2 for municipal Class C/D Water and Electric utilities)		

The debit is for the full amount of the historical Account 271, Contributions in Aid of Construction (CIAC) balance. The credit amount for Subaccount 111.2 or 110.2, Accumulated Provision for Depreciation of Utility Plant, Contributed Plant, is the amount of depreciation expense for contributed plant in service charged to past operations. The amount credited to Account 216.2, Unappropriated Earned Surplus, Contributed Plant, is the remaining dollar balance of CIAC, after deducting the amount of the Accumulated Provision for Depreciation of Utility Plant, Contributed Plant, that has been calculated.

- a. For Class AB utilities the credit amount for Subaccount 111.2 can be estimated by multiplying a ratio times the historical CIAC balance. The Class AB ratio is determined by dividing the total of the accumulated provision for depreciation of the individual plant accounts by the total of the individual plant account balances (typically contributed plant consists of mains, services, and hydrants).
- b. For Class C/D utilities the credit amount for Subaccount 110.2 can be estimated by multiplying a ratio times the historical CIAC balance. The Class C/D ratio is

determined by dividing the total accumulated provision for depreciation by the total of all depreciable plant.

4. The accounting entry creating subaccounts for the present balances of plant financed by the utility or by the Municipality and contributed plant is as follows:

	<u>Debit</u>	<u>Credit</u>
Subaccount 101.1, Utility Plant, Financed by Utility Operations or by the Municipality	xxxx	
Subaccount 101.2, Utility Plant, Contributed Plant	xxxx	
Account 101, Utility Plant in Service		xxxx
(The Subaccounts are 100.1 and 100.2 for municipal Class D Water and Electric utilities)		

5. The ratemaking effect of accounting entries # 1 and # 2 above is that no amounts of contributed plant will be included in the revenue requirement (customer rates) in future rate cases, neither through depreciation expense nor the rate of return calculation.
6. Accounting entry # 3 above has a neutral effect on the calculation of rate base in future rate cases. Revenue requirement will not be increased nor decreased as a result of this entry.
7. Accounting entry # 4 above establishes separate subaccounts for Utility Plant, Financed by Utility Operations or by the Municipality and Utility Plant, Contributed Plant. The calculation of the amounts of the historic plant balances may be estimated.